GOVERNMENT OF INDIA
INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:2483
ANSWERED ON:05.12.2001
WITHHOLDING OF TAX
A.P. JITHENDER REDDY;VILAS BABURAO MUTTEMWAR

Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government of Japan have imposed 20% withholding tax on information technology products and services from Indian software companies;

(b) if so, the details of impact in the I.T. sector in our country;

(c) whether the Union Government have taken up this matter with the Japanese Government; and

(d) if so, the outcome thereof?

Answer

MINISTER OF PARLIAMENTARY AFFAIRS, INFORMATION TECHNOLOGYAND COMMUNICATIONS(SHRI PRAMOD MAHAJAN)

(a) and (b): Yes, Sir. The imposition of 20% withholding tax on information technology companies has made IT exports to Japan costlier and has also led to shrinkage of profits of Indian companies.

(c) and (d): Yes, Sir. The Government of India have taken up the matter with the Japanese Government under Mutual Agreement Procedure (MAP) of Indo-Japan Double Taxation Avoidance Convention(DTAC). The Government of India is in the process of negotiating with the Government of Japan for resolution of the taxation issue.